



Special Report

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Democrats Are Committed to Fiscal Responsibility

Nursing our economy back to health is not just about giving it the right short term treatments. It's about setting a new responsible foundation for our future stability.

-Senator Harry Reid, 2/1/10

Recently, there has been some good news about the growth of the economy, suggesting that the economy has moved from the edge of the precipice, though too many Americans remain out of work. But even as we work to aggressively tackle the serious problems that remain in the wake of the worst financial and economic crisis since the Great Depression, Senate Democrats are demonstrating their strong commitment to getting this nation's fiscal house in order.

We will continue to aggressively tackle economic challenges for American families and work to ensure that every person who wants a job gets one. We are reversing [the failed policies of the Bush Administration](#), which led to massive deficits and the most severe recession in decades. We will make the tough choices to ensure that we make our economy work again for the middle class by investing the taxpayer's money as responsibly, efficiently, and transparently as possible. And we will do all this in a fiscally-responsible way, as demonstrated by the [reinstatement of a strong pay-as-you-go law](#); support for the [creation of a bipartisan deficit commission](#); our commitment to [health insurance reform that actually cuts the deficit](#); and [major reforms in congressionally-directed spending](#) that have been in place since the Democrats re-gained the majority in 2007.

Democrats Are Reversing the Fiscally-Irresponsible Policies of the Bush Administration

When President Obama was sworn in to office in January 2009, the economy was on the verge of complete melt down, including a significant drop in economic growth and increasing unemployment. President Obama also inherited record deficits and a doubling of the debt from the Bush Administration, financial and housing crises, ongoing wars in Iraq and Afghanistan, and an unsustainable long-term budget outlook with ever-rising health care costs. The failure to pay for two large tax breaks that principally benefit the wealthiest Americans and a new entitlement program that the Bush Administration had championed has added an estimated \$7.5 trillion in national debt over ten years. [Office of Management and Budget, 2/1/10] The worst economic and financial crisis since the Great Depression was already leading to lower revenues and greater spending for a variety of automatic economic stabilizers, and a deficit of

over \$1 trillion. And the need to reverse the economic decline required additional measures that included tax cuts and investments that, in the short-term, led unavoidably to a higher short-term-deficit.

Eight years of the Bush Administration left a fiscal mess for the Democrats to clean up:

- **Record budget surpluses turned into record deficits.** President Clinton ran a unified budget surplus of \$236 billion, the largest in American history. Budget surpluses were expected to continue for another ten years when President Bush took office in January 2001. [Office of Management and Budget, [2/28/01](#)] But under the Republican's watch, the federal budget plunged back into deficit, reaching record levels. [Office of Management and Budget, [2/4/08](#)] By 2002, the unified federal budget had returned to a deficit of \$160 billion and this year, President Obama inherited a record deficit of \$1.3 trillion. [Office of Management and Budget, [2/1/10](#)]
- **Spending exploded.** According to the non-partisan Congressional Budget Office (CBO) between 2001 and 2009, spending (outlays) rose from \$1.9 trillion to \$3.5 trillion – an increase of 89 percent.
- **National debt doubled.** Republicans presided over the largest explosion of debt in our nation's history. The day before George W. Bush assumed the presidency in 2001, the public debt was \$5.7 trillion. On the last day of President Bush's presidency in 2009, the debt stood at \$10.6 trillion, approximately \$35,000 for every man, woman, and child in America. [TreasuryDirect, visited [1/26/10](#)]
- **Debt owed to foreigners at record levels.** In order to finance record budget deficits, the United States has had to borrow at unprecedented rates from foreigners. It took 42 Presidents 224 years to build up \$1 trillion of foreign-held debt. President Bush more than tripled that under his watch, with total foreign-held debt standing at over \$3 trillion as he left office. [Department of the Treasury, visited [1/26/10](#)]

Democrats Have Reinstated a Strict Statutory Pay-As-You-Go Rule

This month, the Democratic-led Congress sent a bill to the President's desk that includes the reinstatement of a statutory pay-as-you-go rule (PAYGO), so that we can govern in a fiscally-responsible way. The PAYGO law requires Congress to find offsetting savings for new direct spending or tax cuts. It would apply the same discipline to the federal budget that American families use every day in their own lives: in order to spend a dollar, we have to have a dollar in our wallet. In part because of PAYGO, the Clinton Administration turned deficits into record surpluses. Unfortunately, under President Bush and the Republican-controlled Congress, PAYGO was first waived and then allowed to expire, leading to massive tax breaks and other policies that exploded the deficit and doubled the debt.

The reinstatement of statutory PAYGO is the type of sensible, responsible leadership that Senate Democrats are bringing to the federal budget process after eight years of reckless spending that helped create the mess we are in today. It is regrettable, if not surprising, that Senate Republicans opposed this step to rein in irresponsible deficit spending.

Democrats Have Championed a Bipartisan Fiscal Commission

The President supported the bipartisan fiscal taskforce proposal that Senate Budget Committee Chairman **Conrad** and Ranking Republican Gregg had proposed on the Senate Floor last month. While the commission won the support of 53 Senators – a majority of votes – this was insufficient to bring us to the 60 vote threshold that was required for adoption of this measure. In an act that demonstrated that Republicans were putting politics ahead of deficit reduction, seven Senate Republicans voted against the very proposal to which they had earlier signed their name as sponsors.

In the wake of this vote, the President has committed to establishing, by Executive Order, a deficit reduction commission charged with identifying policies to improve the fiscal situation in the medium-term and achieve fiscal sustainability over the long run. While details are now being worked out with the Congress, the commission is expected to be charged with:

1) balancing the budget, excluding interest payments on the debt, by 2015; and 2) examining policies to meaningfully improve the long-term fiscal outlook.

This would stabilize the debt-to-GDP ratio at an acceptable level once the economy recovers and begin to address the gap between the government's projected revenues and expenditures of the government. Majority Leader **Reid** has committed to bringing the commission's report to a vote before the end of the 111th Congress and, if approved by the Senate, Speaker Pelosi has committed to a vote in the House of Representatives, as well.

Health Insurance Reform Is Entitlement and Fiscal Reform

Skyrocketing health care costs are contributing to the current budget crisis, weighing heavily on family, business and government budgets. Health care costs take up a growing share of federal and state budgets and are the greatest threat to the government's long-term fiscal outlook. In 2009, the United States spent an estimated \$2.5 trillion on health care, consuming 17.3 percent of the GDP and representing the largest one-year increase in the health share of GDP since the measure was first tracked in 1960, according to experts from the Centers for Medicare and Medicaid Services (CMS). [Health Affairs, [2/4/10](#)] Without action, total health care spending will consume more than 19 percent of GDP by 2019, just nine years from now. Federal spending on Medicare and Medicaid now consumes approximately 5.5 percent of GDP, and in newly released estimates, the Congressional Budget Office estimates such spending will consume 6.6 percent of GDP by 2020 and ten percent of GDP by 2035. [Congressional Budget Office, [1/10](#)]

The health insurance reform bill approved by the Senate in December 2009 will rein in unsustainable increases in health care costs to ensure future sustainability of the system, and will reduce federal deficits by \$132 billion over the next ten years. [Congressional Budget Office (CBO), 12/19/2009] The *Patient Protection and Affordable Care Act* will also bend the cost curve over the long-term, as it will continue to reduce federal deficits in the decades following 2019. [CBO, [12/20/09](#)]

Twenty-three prominent economists – including Nobel laureates and members of both Democratic and Republican administrations – recently identified four key measures that will lower costs and reduce long-term deficits. [Letter to the President, [11/17/09](#)] The *Patient Protection and Affordable Care Act* includes all four measures: deficit neutrality, an excise tax on high-cost plans, an Independent Payment Advisory Board, and delivery system reforms.

A recent Business Roundtable report confirms that many delivery system reform policies in the *Patient Protection and Affordable Care Act* will help reduce costs. As the report explains, “[a] number of the proposed reforms offer real promise, not only to save federal dollars, but also to reduce the rate of increase in private sector spending if adopted and implemented appropriately.” [Business Roundtable, [11/2009](#)]

Democrats Have Created Accountability in and Reduced the Number of Congressionally-directed Spending Items

Democrats have implemented new reforms to the appropriations process to ensure unprecedented transparency and accountability for congressionally directed spending items. Since 2007, each appropriations bill has been accompanied by a list that identifies each congressionally directed spending item that it includes and the name of the sponsoring member. Those lists are available online before the bill is considered in the Senate – usually for several weeks or months. Each Senator is also required to certify that neither the Senator nor the Senator’s immediate family has a financial interest in the item requested and to post this certification online.

Since 2009, even the requests for congressionally directed spending items have been made public, regardless of whether the request was actually funded. Every Senator who has requested a congressionally directed spending item is required to send to the Committee a letter providing the name and location of the intended recipient, the purpose of the congressionally directed spending item, and the financial interest certification. This information is now available on the Internet the same day the House or Senate subcommittee reports their appropriations bills or 24 hours before full committee consideration if the bill has not been marked up by a subcommittee. These rules allow more opportunity for public scrutiny of member requests.

To support the process for Fiscal Year 2011 appropriations, the Senate Appropriations Committee has created a page on its website with links for the public to easily access every Senator’s congressionally-directed spending requests on an ongoing basis:
<http://www.appropriations.senate.gov/cdsr.cfm>.

In addition, the Senate adopted a rule allowing a point of order to be raised to strike congressionally directed spending items inserted into conference committees that were not in the original House or Senate versions of the legislation.

Democrats have significantly reduced congressionally directed spending items. In Fiscal Year 2008, the total dollar amount directed by Congress for non-project-based accounts in appropriations bills was reduced by 43 percent from their Fiscal Year 2006 levels (the Democratic Majority imposed a moratorium for Fiscal Year 2007 because those bills were left over from the previous Congress).

In 2009, the total dollar amount directed by Congress for non-project-based accounts in appropriations bills was reduced by 50 percent from their Fiscal Year 2006 levels.

Congressionally directed spending items will be held below one percent of discretionary spending from now on. This ensures that Members of Congress will continue to be able to direct an appropriately small amount of funding to important local priorities.